

Maryon House, Goldhurst Terrace NW6 3EY



Application no. 2016/3545/P

Addendum 13th October 2017

Following our independent viability review on behalf of London Borough of Camden dated 6th September 2016, and the subsequent response dated 26th September 2017, we issue this addendum to confirm our opinion on the viability position of the scheme.

We have had discussions with Anna Booth from Affordable Housing Solutions and Ian Gracie from LB Camden and our recommendations are as follows:

Site Benchmark

We had previously confirmed that the EUV is agreed at £3.06m.

In their original report AHS had not included a Landowner's Premium although reserved the right to add one. AHS subsequently suggested a 30% premium was appropriate but we found that to be excessive.

In response to our request for further information AHS provided us with a recent tenancy schedule for the existing building along with confirmation that the existing residential flats would require "normal redecoration", but generally were in suitable condition for letting.

Based on the additional information provided we are satisfied that the Landowner's Premium should be 20% which results in a Site Benchmark of £3,672,000. AHS are in agreement.

Profit

Within their original report, AHS had adopted a profit target of 17% on GDV which we agreed was a reasonable allowance. AHS subsequently suggested a 20% profit target was appropriate. We requested clarification on why this amendment was required.

Following the receipt of additional reasoning for the adoption of the 20% profit on GDV target, and considering current market conditions, we are in agreement with AHS that a 20% profit target on GDV can be considered reasonable. We have also agreed that if there were an affordable housing element within the scheme that a 6% profit on GDV target would apply.

We have an updated and agreed an appraisal which includes the following:

- BPS revised sales values
- Profit target of 20% on GDV (private residential)

The resulting residual land value is £2.38million. Compared to the revised Site Benchmark of £3.67m the scheme shows a deficit of approximately £1.29m.

Review

AHS have confirmed that the Applicant is happy to accept an outturn review on the scheme. An outturn review will be a useful mechanism to test whether the viability position improves over the course of the development, once actual development revenue and expenditure can be identified.

We have also suggested that the Council may wish to recommend a pre-implementation review which would be triggered if works on site have not been substantially implemented with 18 months of grant of planning permission. AHS have confirmed that in principle their applicant would be prepared to accept such a review, subject to agreeing the detail of the review.

It is our view that this review can be justified since, in accepting the 20% landowner's premium and more significantly the 20% profit on GDV allowance (an increase on AHS' initial allowance), we have had regard to current market conditions which could change in the period before the scheme is implemented. The additional review would also put pressure on the developer to make a substantive start on site within 18 months of the review.

BPS Chartered Surveyors

13th October 2017

Maryon House

Maryon House
115-119 Goldhurst Terrace
Camden
London
NW6 3EY

APPRAISAL SUMMARY**AFFORDABLE HOUSING SOLUTIONS****Maryon House****Summary Appraisal for Phase 1**

Currency in £

REVENUE

Sales Valuation	Units	Unit Price	Gross Sales
	11	979,545	10,774,995

Rental Area Summary

	Units	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Ground Rents	11	400	4,400	4,400

Investment Valuation

Ground Rents					
Current Rent	4,400	YP @	4.0000%	25.0000	110,000

GROSS DEVELOPMENT VALUE**10,884,995**

Purchaser's Costs	(1,100)	(1,100)
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NET DEVELOPMENT VALUE**10,883,895****NET REALISATION****10,883,895****OUTLAY****ACQUISITION COSTS**

Residualised Price	2,379,242	2,379,242
Stamp Duty	9.35%	222,459
		222,459

CONSTRUCTION COSTS

Construction	ft²	Rate ft²	Cost
	10,726 ft²	419.45 pf²	4,499,000

PROFESSIONAL FEES

Professional Fees	10.00%	449,900	449,900
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MARKETING & LETTING

Marketing and Disposal Fees	3.00%	326,550	326,550
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DISPOSAL FEES

Sales Legal Fee	1.00%	108,839	108,839
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Additional Costs

Borough CIL	209,091	
Mayoral CIL	20,909	
	230,000	

FINANCE

Debit Rate 6.750%, Credit Rate 0.000% (Nominal)		
Land	258,877	
Construction	206,167	
Other	25,863	
Total Finance Cost	490,906	

TOTAL COSTS**8,706,896****PROFIT****2,176,999****Performance Measures**

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
Development Yield% (on Rent)	0.05%
Equivalent Yield% (Nominal)	4.00%
Equivalent Yield% (True)	4.10%
IRR	32.51%

Maryon House

Rent Cover	494 yrs 9 mths
Profit Erosion (finance rate 6.750%)	3 yrs 4 mths